

**Explanatory Notes pursuant to MFRS 134 for the 3rd quarter ended 30 September 2023.**

**1. CORPORATE INFORMATION**

White Horse Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 November 2023.

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 30 September 2023, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2022.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”) effective for financial periods beginning on or after 1 January 2023.

- 1) MFRS 17 and its Amendments to MFRS 17: Insurance Contracts
- 2) Amendments to MFRS 17 : Initial Application of MFRS 17 and MFRS 9 – Comparative information
- 3) Amendments to MFRS 101: Disclosure of Accounting Policies
- 4) Amendments to MFRS 108: Definition of Accounting Estimates
- 5) Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- 6) Amendments to MFRS 112: International Tax Reform-Pillar Two Model Rules

The Group has not adopted the following standards that have been issued, but are not yet effective:

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 & 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16 : Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101 : Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Suppliers Finance Arrangements	1 January 2024
Amendments to MFRS 121 : Lack of Exchangeability	1 January 2025

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

**4. CHANGES IN ESTIMATES**

There were no changes in estimates that had a material effect in the current interim results.

## 5. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in composition of the Group for the current quarter, except the following:-

PT. WH Ceramic Indonesia (“WHIN”), a wholly owned subsidiary of White Horse Ceramic Industries Sdn Bhd (“WHC”), a wholly owned subsidiary, had ceased operations since January 2020 and is in the midst of voluntary liquidation.

The discontinuation was due to the change in the marketing strategies and also cost-savings measures. The operations of WHIN is insignificant as compared to the Group, henceforth the discontinuation had little impact on the Group’s result as its past performances had been reflected in the financial reporting each year. In the long run, the discontinuation will contribute positively to the Group’s bottom-line due to cost-savings measures.

## 6. SEGMENT INFORMATION

Segmental financial information for the cumulative quarters has been prepared based on the geographical location as per the table append below.

Segmental Information - By Geographical Area 30 Sep 2023	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
<b>Segment Revenue</b>					
External sales	260,081	881	34,115	-	295,077
Inter-segment sales	8,584	-	1,419	(10,003)	-
Total revenue	268,665	881	35,534	(10,003)	295,077
<b>Segment Results</b>					
Interest income	(687)	(2,144)	(13)	-	(2,844)
Depreciation & amortisation	13,566	84	959	-	14,609
(Loss) / Profit before tax	(38,449)	3,063	3,079	-	(32,307)
<b>Segment Assets</b>					
Total assets	590,047	74,810	51,090	-	715,947
<b>Segment Liabilities</b>					
Total liabilities	(142,277)	(653)	(8,992)	-	(151,922)

Segmental Information - By Geographical Area 30 Sep 2022	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
<b>Segment Revenue</b>					
External sales	264,740	3,506	31,421	-	299,667
Inter-segment sales	9,919	-	2,286	(12,205)	-
Total revenue	274,659	3,506	33,707	(12,205)	299,667
<b>Segment Results</b>					
Interest income	(789)	(1,280)	(24)	-	(2,093)
Depreciation & amortisation	19,324	90	1,742	-	21,156
Profit before tax	2,257	1,312	313	-	3,882
<b>Segment Assets</b>					
Total assets	620,223	74,210	53,509	-	747,942
<b>Segment Liabilities</b>					
Total liabilities	(141,797)	(1,105)	(8,472)	-	(151,374)

The Malaysia operation consists of manufacturing and distribution activities, while the Vietnam and Other operations were merely distribution function in ASEAN region and China.

## 7. SEASONALITY OF OPERATIONS

The Group’s business operation is related to the construction and renovation industries. Generally in a year, due to the festive season in the first quarter, the business has performed at a slower pace and it is a norm that the business in the forthcoming quarters will perform better.

## 8. (LOSS) / PROFIT BEFORE TAX

Included in the (Loss) / Profit Before Tax are the following items:-

	Current Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM '000	RM '000	RM '000	RM '000
Interest income	(1,445)	(1,140)	(2,844)	(2,093)
Interest expense	938	830	3,238	1,979
Depreciation of property, plant and equipment	3,959	6,931	12,672	19,645
Depreciation of right-of-use assets	647	534	1,937	1,511
Loss / (Gain) on disposal of property, plant and equipment	(2,028)	5	(2,171)	(11,291)
Write down of inventories	-	3	10	58
Loss / (Gain) on foreign currency exchange -unrealised	(45)	134	575	(337)

## 9. INCOME TAX EXPENSE

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

	Current Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	-	1,070	(258)	1,229
Foreign Tax	554	269	815	408
	554	1,339	557	1,637
Deferred Tax	-	-	258	(273)
Total Tax Expense	554	1,339	815	1,364

## 10. (LOSS) / EARNING PER SHARE

Basic (loss) /earning per share amounts are computed by dividing the (loss) / profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period excluding treasury shares held by the Company.

	Current Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
(Loss) / Earning net of tax attributable to owners of the parent used in the computation of (loss) /earning per share (RM'000)	(2,928)	(4,845)	(33,122)	2,518
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(19,474)	(19,474)	(19,474)	(19,474)
Net Weighted average number of ordinary shares in issue ('000)	220,526	220,526	220,526	220,526
Basic (loss) / earning per share (sen per share)	(1.33)	(2.20)	(15.02)	1.14

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2023, the Group has acquired an asset of RM 0.05 million (30 September 2022: RM 4.4 million).

## 12. INTANGIBLE ASSETS : GOODWILL

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

## 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	30 Sep 2023 RM '000	30 Sep 2022 RM '000
Cash on hand and at banks	67,150	62,106
Short term deposits with banks	83,644	94,450
Sub-total	150,794	156,556
Less Fixed deposits with tenure of more than 3 months	(62,829)	-
Total Cash and Cash Equivalents	87,965	156,556

## 14. FAIR VALUE HIERARCHY

No transfers between any level of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

## 15. SHARE CAPITAL AND TREASURY SHARES

Details of the treasury shares as at 30 September 2023, are as follows :-

No. of shares purchased	Purchase Price		Average Price RM	Total Consideration RM
	Highest RM	Lowest RM		
19,474,400	2.5000	0.7150	1.2486	24,314,842

## 16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 30 Sep 2023									
	Long-term	Short-term				Total			
	RM '000	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
<b>Secured</b>									
Term Loan	17,000	-	-	-	-	-	-	-	17,000
Revolving Credit		-	4,000	-	19,600	-	4,000	-	19,600
<b>Unsecured</b>									
Revolving Credit		-	-	-	5,000	-	-	-	5,000
Trade lines		-	805	382	17,933	-	805	382	17,933
<b>Total</b>	<b>17,000</b>	<b>-</b>	<b>4,805</b>	<b>382</b>	<b>42,533</b>	<b>-</b>	<b>4,805</b>	<b>382</b>	<b>59,533</b>
Foreign exchange rate	1.0000	3.4439	4.6920	4.9775	1.0000	3.4439	4.6920	4.9775	1.0000
RM'000 Equivalent	17,000	-	22,545	1,901	42,533	-	22,545	1,901	59,533
<b>Total (RM'000)</b>	<b>17,000</b>				<b>66,979</b>				<b>83,979</b>

Borrowings as at 30 Sep 2022									
	Long-term	Short-term				Total			
	RM '000	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
<b>Secured</b>									
Revolving Credit		-	4,500	-	23,625	-	4,500	-	23,625
<b>Unsecured</b>									
Revolving Credit		-	-	-	6,000	-	-	-	6,000
Trade lines		108	2,889	327	23,330	108	2,889	327	23,330
<b>Total</b>	<b>-</b>	<b>108</b>	<b>7,389</b>	<b>327</b>	<b>52,955</b>	<b>108</b>	<b>7,389</b>	<b>327</b>	<b>52,955</b>
Foreign exchange rate	1.0000	3.2389	4.6340	4.5573	1.0000	3.2389	4.6340	4.5573	1.0000
RM'000 Equivalent	-	351	34,241	1,490	52,955	351	34,241	1,490	52,955
<b>Total (RM'000)</b>	<b>-</b>				<b>89,037</b>				<b>89,037</b>

The secured borrowings were secured by a legal charge over landed properties while the unsecured borrowings are subject to corporate guarantee and negative pledge.

All borrowings are based on the floating interest rate and its weighted average interest rate is about 5.5% per annum.

Other than an additional Long Term Loan of RM 17.0 million, there was a reduction in the borrowings for RM 22.1 million in the current year to-date as compare to the same corresponding period in the immediate preceding year. No hedging was made for the borrowings denominated in United State Dollar, as source of repayment of which is from the export proceeds denominated in the same currency.

## 17. PROVISIONS FOR COSTS OF RESTRUCTURING

There were no provisions for costs of restructuring for the current quarter and comparative period.

## 18. DIVIDEND

No interim dividend has been declared for the current quarter. (30 Sep 2022 : Nil).

## 19. COMMITMENT

There were no commitments for the current quarter and comparative period.

## 20. CONTINGENCIES

There were no other contingencies for the current quarter, except the contingent liability, which was made-up of Corporate Guarantees issued to financial institutions for the subsidiaries' borrowings and banking facilities.

## 21. RELATED PARTY TRANSACTIONS

The following table provides information on the transactions, which have been entered into with related parties during the 9 months period ended 30 September 2023 and 30 September 2022 as well as the balances with the related parties as at 30 September 2023 and 31 December 2022.

Key Management Personnel of the Group : Directors' interest		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		RM '000	RM '000	RM '000	RM '000
White Horse Ceramic Co Ltd	2023	5,480	-	4,142	-
	2022	6,628		4,461	-
Teobros Ceramica Sdn Bhd	2023	14,147		12,180	81
	2022	13,398	52	17,730	41

All outstanding balances with these related parties are unsecured and repayable on demand.

## 22. EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events after the reporting period.

## 23. PERFORMANCE REVIEW

	Current Period 3rd Quarter		Change + / (-)		Cumulative Period		Change + / (-)	
	30 Sep 2023	30 Sep 2022			30 Sep 2023	30 Sep 2022		
	Unaudited RM '000	Unaudited RM '000	RM '000	%	Unaudited RM '000	Unaudited RM '000	RM '000	%
Revenue	112,828	90,975	21,853	24.0%	295,077	299,667	(4,590)	-1.5%
Gross Profit	12,116	14,560	(2,444)	-16.8%	16,164	46,984	(30,820)	-65.6%
(Loss) / Profit Before Tax	(2,374)	(3,506)	1,132	-32.3%	(32,307)	3,882	(36,189)	-932.2%

The Revenue was higher by 24.0% as compared to the same corresponding period of last year, mainly due to the better market sentiment.

While the Gross Profit for the current quarter was lower by 16.8% mainly due to the higher electricity cost, which had increased by 31%.

The Loss Before Tax was lower for the current quarter mainly due to the gain of RM 1.5 million from the disposal of a warehouse held by its wholly-owned subsidiary, White Horse Ceramic Industries (Vietnam) Co. Ltd.

## 24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 Sep 2023 Unaudited RM '000	Immediate Preceding Quarter 30 Jun 2023 Unaudited RM '000	Change + / (-)	
			RM '000	%
	Revenue	112,828	98,535	14,293
Gross Profit	12,116	5,610	6,506	116.0%
Loss Before Tax	(2,374)	(11,609)	9,235	-79.6%

A betterment in the Revenue, Gross Profit and Loss Before Tax for the current quarter as compared with the immediate preceding quarter mainly due to the seasonal market norm sentiment, where the business is performed at a slowest pace in the first quarter and gradually improving in the forthcoming quarters for the whole year.

## **25. COMMENTARY ON PROSPECTS**

The Group's business is linked with the construction and renovation industries, where its markets coverage is fairly distributed into property development and replacement sectors for both local and exports markets.

Business operations are still challenging in view of the Covid-19 pandemic, other than the market competitiveness, pricing strategy, marketing structure, fluctuation in foreign currencies, high production and operating costs, which have great impact to the bottom-line of the Group. Counter measures to address these challenges include enhancing the manufacturing efficiency and productivity, new products development, cost-control and market restructuring.

## **26. PROFIT FORECAST OR PROFIT GUARANTEE**

There was no profit forecast or profit guarantee announced as at the date of this quarterly report.

## **27. CORPORATE PROPOSALS**

No corporate proposal announced but not completed as at the date of this quarterly report.

## **28. CHANGES IN MATERIAL LITIGATION**

There was no material litigation as at the date of this quarterly report.

## **29. DIVIDEND PAYABLE**

Please refer to Note 18 for details.

## **30. DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES**

There was no outstanding derivative as at the reporting period.

## **31. DISCLOSURE OF GAINS / LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

There were no gains or losses arising from fair value changes of financial liabilities as at the reporting period.

## **32. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 31 December 2022 was not qualified.